

Money management TIPS for young families

Newsletter 9

September

WHERE TO PUT YOUR SAVINGS

Last month we promised to help you decide what to do with your savings once you had established a savings habit. You will have to decide what to do with those funds that are accumulating. Before you make up your mind, a survey of the various place to save or invest your funds is in order. The chart below will help you gather the information needed. You may not need to fill in all the spaces, but do gather some information about all of these options.

Sources	Rates of Return	Safety	Liquidity	Services	Minimum Deposits	Other Features
Bank						
Savings & loan						
Credit union						
U.S. savings bonds						
Treasury bills notes, bonds						
Municipal bonds						
Certificates of deposits						
Money market funds						
Mutual funds						
Stock of company						
Other						

Call banks and savings and loan associations to find out their present interest rates - or watch for their ads. Get information on their offerings - passbook, certificates of deposits, money market funds, U.S. savings bonds: (EE, HH and I), etc. Learn about their safety (FDIC, FSLIC, NCUA). Ask about the liquidity - (can you take out the savings whenever you wish? What are the penalties?

If there is a credit union where you work, it is worthwhile to investigate its offerings. Often you can have your savings deducted from your paycheck and sent directly to the credit union, making it easier to save. Government savings bonds may also be deductible at your place of employment.

It is important to put your money to work at the highest possible interest rate in keeping with the degree of liquidity and safety you need to reach your goals.

For information on investment programs, read publications such as Kiplingers, Money magazine, family finance books and newspaper financial pages. Ask a stock broker, investment counselor, insurance agent or realtor questions about growth and return, liquidity, safety, tax advantages, etc. of corporate or municipal bonds, stocks, life insurance or real estate.

To decide how much to save, estimate how much you will need and when. Try to estimate what the cost of the item will be then, due to inflation. The chart below illustrates how interest and time work for you.

Deposit this much per month at 6 percent interest compounded monthly to save.*

	<u>\$5,000</u>	<u>\$10,000</u>	<u>\$20,000</u>
1 year	\$405.33	\$810.66	\$1,621.33
5 years	71.66	143.33	286.66
10 years	30.51	61.02	122.04
15 years	17.19	34.39	68.77
20 years	10.82	21.64	43.29

One rule of thumb for estimating how fast your money will double is the rule of 72. Divide the interest rate into 72. That will be the number of years it takes for your money to double. Example: 5% interest into 72 equals 14.4 years to double or 8% interest into 72 equals 9 years to double. Another way you can work the rule of 72: if you know you need your money to double in 12 years, divide 12 into 72 equals 6. You will need to get 6% interest for your money to double in 12 years.

What is your plan?

SAVE:

\$ _____ / month for _____ months at _____ % at _____ = \$ _____
(credit union, etc.)

\$ _____ / month for _____ months at _____ % at _____ = \$ _____

This is your plan of action. Can you do it? Now go back to your spending plan to see if this saving plan is realistic. If it is, put it into action!

*Computations made using Texas Instrument BA-35 Financial Calendar.

Next month's Tip - WHERE ARE THE LEAKS IN FAMILY SPENDING

For further information or assistance contact me _____ your county Extension agent, at _____.

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